



# **STATE OF THE STATE ADDRESS**

## **GOVERNOR JANET NAPOLITANO**

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**PRESENTED TO THE 46<sup>TH</sup> ARIZONA LEGISLATURE**  
**FIRST REGULAR SESSION**  
**JANUARY 13, 2003**



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President Bennett, Speaker Flake, Honorable Senators and Representatives, Chief Justice Jones and members of the Supreme Court, members of our Congressional delegation, honored guests, and my fellow Arizonans.

It is an honor and a great privilege to be with you for the opening of the 46<sup>th</sup> Legislature, and to make my first report to you on the state of the State.

My fellow Arizonans, today the state of our state is grim. But this condition is tempered by the opportunity for us to build the most vibrant Arizona we have ever known.

Yes, we find ourselves deep in a valley. But we have a good view of the summit, and we are ready to start the long journey back up the mountain.

I see promise in the dedicated breed of new leaders that voters have sent to this Capitol. As a group, we are sobered by the magnitude of the challenge before us. But more importantly, we are filled with that Arizona brand of stubborn optimism to roll up our sleeves and build the new Arizona we envision.

The past dozen years tell a story of what could have been and should not have come to pass. But enough of that. Our story is one of what we must do today, and the great things we can accomplish for tomorrow.

The people of Arizona have sent us here to write that story. And they have made their expectations crystal clear: We must fix the budget, improve our schools, and stop balancing our budgets on the backs of their children.

Once we have solved our present-day problems, our singular objective should be to draw up a blueprint of prosperity for Arizona that sustains us for generations to come.

I for one am ready to get down to business.

While we have been handed a tall order, we come here with a distinct advantage. We have the benefit of new blood at the Capitol – and lots of it. Freshman will compose more than one-third of this body, and both chambers have new leaders.



At my inaugural last week, Speaker Flake and President Bennett extended their hands of partnership on your behalf, and I look forward to working with you.

My friends, we are all in this together. After all, as Benjamin Franklin said at the signing of the Declaration of Independence, "We must all hang together, or assuredly we shall all hang separately."

As we turn to the future, we cannot look only to the next election cycle or the next fiscal year. Rather, we will do our best work when we keep our eyes on the coming decades. Every decision we make should be grounded in its impact on the next generation and beyond.

This is how we will create the new Arizona of the 21<sup>st</sup> Century. This is how we will turn the disappointment we have inherited into a legacy we are proud to pass on.

### **How we got here**

In many respects, the past dozen years were the best of times. But those who came before us missed their opportunity to move Arizona forward when they had the resources to do so.

Throughout the last dozen years, our predecessors had the means to build the best public schools in America, re-engineer our economy to be a leader in the emerging technology-driven world, and provide opportunities for prosperity where stagnant economies and poverty exist.

Unfortunately, they did not do it. As a result we have been handed the reins of a state that ranks at or near the bottom of nearly every measure of quality.

It was not always this way in Arizona, and it does not have to be this way. It is up to us to put this great state on a path of renewal, by fixing our short-term problems and focusing on our long-term vision of a new Arizona.

We have what it takes to turn this state around. Regardless of our political leanings, I have no doubt that each of us in this chamber feels immensely proud to call ourselves Arizonans. So, on behalf of this great state, the time has come for us to size up our challenges, draw up a battle plan, and get to work.

Here is my plan to build the new Arizona of the 21<sup>st</sup> Century.

### **Fix the current crisis**

First, we must complete the unfinished business that we have inherited. State government is in the worse financial crisis of its history, and we have been sent here to deal with that reality. We have inherited a \$300 million deficit in our current budget, and next year's budget looks to be \$1 billion out of balance. Our challenge is to end the budget crisis without decimating vital state services, and on Thursday I will release the details of my plan to do that.

As you will see, my budget plan is constructed on these guiding principles.

- First, balance our budgets without raising taxes.



- Second, invoke temporary emergency fiscal measures that are necessary and appropriate, given the extraordinary circumstances we face.
- Third, balance the '03 budget without making any further cuts to state services.
- Fourth, enhance state government performance by consolidating certain services to eliminate duplication in agencies. This will benefit us in '04 and beyond.
- Finally, and most crucial to me, protect Arizona children by balancing the budget without cutting services to education or children's services.

### **Long-term plan for the new Arizona**

Once we have restored fiscal sanity to state government, we must turn our attention toward building a long-term strategy for a stronger, more vibrant Arizona.

To avoid falling back into the same budget quagmire we are in now, we must spend tax dollars more efficiently, and create a tax code that benefits our economy.

#### **Control expenses**

I have already begun to address the spending side of the equation. Earlier today, I ordered immediate Efficiency Reviews – what I like to call my “E.R.” initiative – for the departments of Corrections, Economic Security, and Revenue. Preparations are underway to review all other departments.

Agency by agency, E.R. teams will review the efficiency and effectiveness of government operations and service delivery. Under my direction, E.R. teams will evaluate ideas and existing programs, asking four basic questions:

- Does it improve customer service?
- Does it make sense?
- Does it save money? and
- Does it eliminate duplication?

This is the same process the state of Texas used in the 1990s, with promising results. By combing line-by-line through state budgets and operating policies, Texas state government generated \$8 billion in savings from 1991 to 1995, without hurting the quality of state services.

We will create a new spirit of efficiency in state government, where everyone understands that saving resources in large and small ways helps to contribute to the greater good. I want state employees to take pride in knowing that by finding savings they are helping to free up resources to renew our schools, support our health care services and strengthen our communities.

That is why I e-mailed each of you copies of my speech today, instead of following tradition by delivering printed versions with fancy covers. We saved nearly two thousand dollars in



printing expenses, and it is a symbolic reminder that we can find practical savings in every facet of our operations when we take the time to look.

### **Examine revenue streams**

To address the revenue side of our budget, I have formed a Citizen's Finance Review Commission to recommend reform to our tax code. Arizona needs a tax code that is simple, low, and fair across the board.

The Commission begins work next week, and I have directed it to complete recommendations in time for the 2004 legislative session.

## **Beyond the budget: Five priorities to build the new Arizona**

While our budget crisis is our first priority, it cannot be our only focus. And while there are literally dozens of issues I could discuss with you today, I want to talk about five priorities of mine to move Arizona forward.

### **Priority 1 – Support Education**

Beyond the budget, I have made it clear that a solid education system is vital if we are to strengthen our economy and provide hope and opportunity to the next generation.

#### **K-12**

Improving public education is my top priority as Governor. Currently, Arizona has the worst high school dropout rate in the country, we spend fewer dollars per pupil than nearly any state in the country, our schools are overcrowded and enrollment continues to grow.

Enough is enough. We cannot ask our educators, students and parents to bear any more of the burden for balancing our budgets. They have gone without adequate funding for too long, and the effects are evident.

We need concrete action to make our schools successful again, and here is what I propose:

First, I call on educators to do more with the budgets they have. In February, I will hold a series of planning sessions with educators across Arizona to move more of our education dollars into classroom spending. Currently, 58 percent of education funds are spent in the classroom, and we need to increase that to at least the national average of 62 percent. In these meetings, we will construct a plan to reach this goal.

Second, we must reexamine the funding source for Students FIRST, and I am committed to working with you to identify improvements we can all agree on.

Third, we must tackle the root problems of Arizona's illiteracy, which has led to chronic academic under-performance, and a shameful dropout rate. The more we learn about the importance of early childhood learning the more obvious it is that voluntary all-day kindergarten and universal pre-K should be standard offerings in our public schools.



Our current budget crisis should not deter us from moving forward with voluntary all-day kindergarten. My Administration is already exploring ways we can use private-public partnerships to provide the funding to phase in all-day kindergarten.

Many Arizona students who fall behind in the classroom do not lack the intellect and will to learn. Far from it. Oftentimes they do not encounter the learning environment they need for success. In fact, many of our students are excelling despite obstacles they may encounter.

Take Chris Tijerina. Two years ago, he graduated first in his class at Casa Grande Union High School with several honors, including the National Mathematics Award and the National Merit Corporation's 2001 National Hispanic Scholarship.

While in high school, Chris saw a need for more mentoring programs for Latino students in junior high and high school – and he did something about it. In his senior year, Chris and his father, Mario Tijerina, formed the GOLD Scholars Program of Casa Grande, which today provides Latino students in Chris' community with the tools they will need to succeed in high school, college, and beyond.

Chris is now a Flinn Scholar and a sophomore at Arizona State University, majoring in secondary education and Chicano studies. As if running the GOLD Scholars Program were not enough, he also mentors and tutors fellow students. Chris Tijerina joins us in the gallery today. Chris, please stand and be recognized.

Although we often focus on our education system's shortcomings, Chris and many others like him remind us that Arizona schools still produce great young minds, and they always will.

### **Support higher education**

Chris's story reminds us that we must invest in our community colleges and universities in addition to K-12. Anemic budgets and midyear cuts have produced crowded classrooms, caused quality professors to leave Arizona in droves, and forced higher tuition.

And while university tuition remains the lowest in the nation, Arizona is actually one of the least affordable states in the country to attend college, because we offer next to nothing in the way of state-based student financial aid. I am working with the Board of Regents to resolve that problem.

Our community colleges re-train displaced workers from depressed industries, transition those absent from education for many years, serve as a nexus of economic and academic development in much of rural Arizona, and provide opportunities for career-changers and others to learn the technologies of the 21st Century.

It is time to stop viewing our universities and community colleges as easy marks to balance the budget. Instead, we must recognize them as epicenters of economic development. They educate the workforces of tomorrow, and their research expands our horizons.



## **Priority 2 – Building the new Arizona economy**

Let's now turn to building the new Arizona economy. Although our unemployment rate is below the national average, we do not offer enough meaningful, high-paying, jobs for our people, whose per capita income ranks 37<sup>th</sup> among the states.

It is time to coordinate our efforts to develop Arizona's promising tech sector. And it is time to take full advantage of our geographic proximity to establish Arizona as America's premier portal to trade with Latin America.

### **Develop tech industries**

To achieve the economic renaissance I envision, our economy must be powered by innovation, and be driven by the entrepreneurs and tech-based businesses that will create the high-wage jobs and clean industries we seek. Three steps are key.

First, our public and private sectors must speak with one economic voice. To do this, I will sign an executive order this week creating the Governor's Council on Technology and Innovation. It will focus on three areas: coordination of technology transfer from universities to the commercial sector, capital formation, and infrastructure development.

Second, it is time to remove the single biggest obstacle to smooth technology transfer from our university campuses to the commercial sector. Arizona's constitution prohibits universities from forming or taking equity positions in commercial ventures, which slows down their efforts to convert research innovations into viable commercial applications. Competing states do not have this prohibition, and they enjoy greater success in luring tech start-ups.

I will submit to you a ballot referendum to repeal this article of Arizona's constitution.

Third, we must do a better job at attracting capital for small and growing high tech businesses. They need this capital to grow their enterprises and create more high-paying jobs for an educated workforce. I will work with the business community to attract more development capital to Arizona, particularly for new companies.

### **International trade**

My administration will not limit its economic development to Arizona alone.

Though many believe that our nation's strongest trade portals exist only on the West coast, the truth is that Arizona, due to its proximity to the Port of Guaymas, Sonora, stands poised to become one of the busiest trade portals in the world. In 2001, Arizona exported more than \$3.6 billion worth of products to Mexico, making it Arizona's number one export market.

I am asking the Arizona-Mexico Commission to pursue international trade opportunities in Mexico and South America so that Arizona becomes the premier trade portal to Latin America.

## **Priority 3 – Ensure homeland security**

Let's move now to a third priority, homeland security.



We are a country preparing for war and we must anticipate future acts of aggression. Arizona must stand ready to protect its people, its infrastructure, and its interests.

Making sure that Arizona's unique security needs are answered will be a top priority in my Administration. I will carry that message to Washington and fight to ensure that the Federal government provides Arizona with the resources it needs to defend its citizens from acts of terrorism.

The key to Arizona's homeland security lies in the readiness of our state and local law enforcement and our first responders. To ensure that we are prepared for whatever may come, we can no longer view day-to-day law enforcement and homeland security as separate entities. Rather, we must incorporate homeland security measures into the daily routines of all public safety personnel.

We will lead the nation by implementing seamless plans and technologies into our everyday crime-fighting capabilities. I will strengthen our security capabilities and I will find the funding necessary for their success.

Toward that end, my Administration has already begun work on a technology-driven Homeland Security Plan specifically designed to:

- Provide better training and equipment to emergency workers who would be the first to respond to a terrorist incident;
- Ensure that state and local authorities are able to communicate among each other to coordinate their joint response; and
- Establish a public health information system to help citizens identify, avoid, and respond to bio-terrorism.

As part of this plan, my Administration will work with government, industry, and community stakeholders.

We will emphasize improve communication to, and involvement of, Arizona's citizens. Today, I call for the establishment of a statewide telephone system using a 2-1-1 number to disseminate vital safety information. Connecticut and other states have this system, and we should, too.

In addition, today I signed an executive order directing each and every state agency to ensure that vital services will remain operational. These plans should ensure that the public continues to receive vital services in times of crisis.

My goal is simple: to deter, disrupt and defend against any attempts of terrorism on Arizona soil, and to be prepared for any contingency.





## **Priority 4 – Protect Arizona’s Children and Seniors**

Unfortunately, the lives of too many people are threatened not by terrorists, but by members of their own households. The state of our state is particularly harsh for too many of our children. We must do a better job protecting them. Last year, Child Protective Services investigated more than 34,000 cases of child abuse or neglect.

One in four of Arizona’s children lives in poverty, and more than a quarter million go without basic immunization in their first two years of life.

This is not a third-world country we live in. This is Arizona. Yet for too many of our children, the only Arizona they know is one without adequate health care, food, or schooling.

We must do better. And we must get to work today.

### **Children’s Cabinet**

To that end, last week I signed an executive order creating a Children’s Cabinet. It will help ensure that state government always acts in the best interests of Arizona’s children. I have directed the Children’s Cabinet to coordinate state agency activities where children are concerned, so that we minimize confusion, eliminate duplication and maximize services.

One state agency that needs help quickly is Child Protective Services. Last week I created the Advisory Commission on CPS. This commission will review current CPS policies and practices, and make recommendations to me by no later than June of this year on what changes need to be made at CPS.

I also believe it is time to lift the veil of secrecy surrounding CPS cases without sacrificing legitimate privacy rights. I will submit to you a bill to allow for more openness in CPS proceedings, and I ask you to give it favorable consideration.

Now, let me say something about CPS caseworkers. They have one of the most difficult and important jobs in state government, and yet they have high turnover rates and low salaries. We must find ways to better compensate them and ease their caseloads, so they can focus on the welfare of Arizona’s children.

### **Serve veterans and senior citizens**

Just as we want to do more to protect our children, I believe we can do more to support our veterans and senior citizens. As our men and women in uniform prepare to put their lives on the line, we must provide adequate services to Arizona’s 560,000 military veterans who have given so much in service to our country.

To that end, this morning I elevated the Director of Veterans Services to a Cabinet-level position, to ensure that the needs of veterans are voiced directly to me.

One issue plaguing not just older veterans but all senior citizens is the spiraling cost of prescription drugs, which continues to soar at three times the rate of inflation. It is not



uncommon for seniors on limited, fixed incomes to pay several hundred dollars each month for life-saving medication. Even seniors above the poverty line have trouble paying the cash price for the drugs they need.

That is why last week I signed an executive order to provide a prescription drug discount card to all Medicare-eligible seniors and the disabled, and enable them to purchase their prescription drugs through AHCCCS. This will allow them to tap into market-based discounts of 20 percent or more, with no cost to the state.

Two people who I hope will benefit from this plan are Bob and Teresa Swinehart of Sun City. Together, their annual costs for prescription drugs total almost \$11,000, which is by far the single biggest expense in their household budget. My program can save them thousands of dollars a year in costs. Not bad for government work.

For the sake of the Swineharts and more than a half a million Medicare-eligible seniors in Arizona, I expect to have the program up and running within 120 days.

Bob and Teresa Swinehart join us in the gallery today. Please stand and be recognized.

### **Priority 5 – Preserve Our Land and Protect Our Water**

A century ago, Theodore Roosevelt came here and was awed by Arizona's breathtaking beauty and its endless vistas. Roosevelt viewed conservation as striking a balance between people and nature. Since the early part of the 20<sup>th</sup> century, the state's landscape has changed – as millions of new residents move here each decade – making Roosevelt's balance more critical to maintain than ever.

#### **Preserve wilderness and open spaces**

Our land, forests and water are three of our essential resources. If we want to leave the next generation the same beautiful state we inherited, we must preserve all three.

To that end, I have directed the State Land Department to implement a balanced state trust land policy. We must insist that trust lands be managed and sold as the valuable assets they are, while preserving essential open space.

#### **Prevent more devastating fires**

Our forests are a key part of our open space and wilderness. Last summer I visited the fire-ravaged communities of Arizona and saw the devastation firsthand. It is fitting that Jim Paxon is our guest of honor today, because he served as the voice of reason during a season of unprecedented forest fires.

Unfortunately, this year could be an even worse fire season, given our continuing drought and the added threat of the bark beetle. In fact, more of Arizona's ponderosa pines have succumbed to bark beetles than died in the Rodeo-Chedeski fire.



We must find a balance in our fire prevention efforts. For too long our forest policies have been buffeted between two extreme views of how our forests should be managed. We can do better, with a balanced and flexible approach that treats each forest according to its unique attributes.

This spring, I will bring together all stakeholders with a direct interest in our forests to begin mapping out a sensible fire prevention strategy. Among other things, we need a comprehensive plan to thin our forests of small diameter trees in the areas around communities like Prescott and Flagstaff.

### **Preserve water resources**

And as we head into this new century, we must be cognizant of the one indispensable natural resource that sustains our existence in this desert – water. I have directed your former colleague and my new Director of Water Resources, Herb Guenther, to focus on three goals:

- First, fight for Arizona's water rights as other states, especially California, attempt to siphon off our share of Colorado River water;
- Second, settle age-old water disputes within Arizona to the benefit of all parties involved;
- And finally, place a renewed focus on conservation in our water policies so that we may ensure Arizona will have adequate water resources for generations to come.

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My friends, we have our work cut out for us. But we have energy, optimism, and a common love of Arizona on our side. Together, we will solve the problems of today so that we can get on with the business of building the new Arizona of tomorrow.

I am an avid hiker. Earlier in my life, I had the time to climb mountains. One year, I found myself with friends in Tanzania, at the foot of Mount Kilimanjaro. As we prepared to make the climb to Africa's highest point, I remember looking up and thinking, "This is going to be really tough." I wondered how – or if – we would make it to the top.

We climbed that mountain together. We helped each other up through tough passages, and we toughed out a blizzard. Throughout the trek, we offered each other words of encouragement. And we made it to the top.

Let me tell you – reaching the top of Kilimanjaro was one of the most exhilarating experiences of my life.

Today, we stand at the foot of another great mountain, looking up to the summit of a new Arizona. As we plot our ascent, let me tell you from experience: we will get to the top. And the view from there will take our breath away.

Let's get at it.